

**TOWN OF ERWIN
ERWIN, NORTH CAROLINA
FINANCIAL STATEMENTS
June 30, 2022**

TOWN OF ERWIN, NORTH CAROLINA
FINANCIAL STATEMENTS
June 30, 2022

Randy L. Baker, Mayor

BOARD OF COMMISSIONERS

Charles L. Byrd
Ricky Blackmon
Alvestor L. McKoy

Billy Turnage
David L. Nelson
Timothy D. Marbell

TOWN OFFICERS

Snow Bowden, Town Manager

Linda P Williams
Finance Director

Lauren Evans
Town Clerk

Tim Morris
Attorney

TOWN OF ERWIN, NORTH CAROLINA
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June 30, 2022

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FINANCIAL SECTION



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Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Erwin, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Erwin, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Erwin as of June 30, 2022, and the respective changes in financial position, thereof and the respective budgetary comparisons for the General Fund and the Community Enhancement Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Erwin and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the Town of Erwin's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards* we

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Erwin's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Erwin's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 4 through 9) and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions (pages 38 and 39) the Other Post Employment Benefit (pages 40 and 41) and Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions (page 42) respectively be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Erwin's basic financial statements. The combining and individual fund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above the combining and individual fund financial statements, budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2022 on our consideration of the Town of Erwin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Erwin's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Erwin's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., PA

Elizabethtown, North Carolina

November 23, 2022

TOWN OF ERWIN

ERWIN, NORTH CAROLINA

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Erwin, we offer readers of the Town of Erwin's (The "Town") financial statements this narrative overview and analysis of the financial activities of the Town of Erwin for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

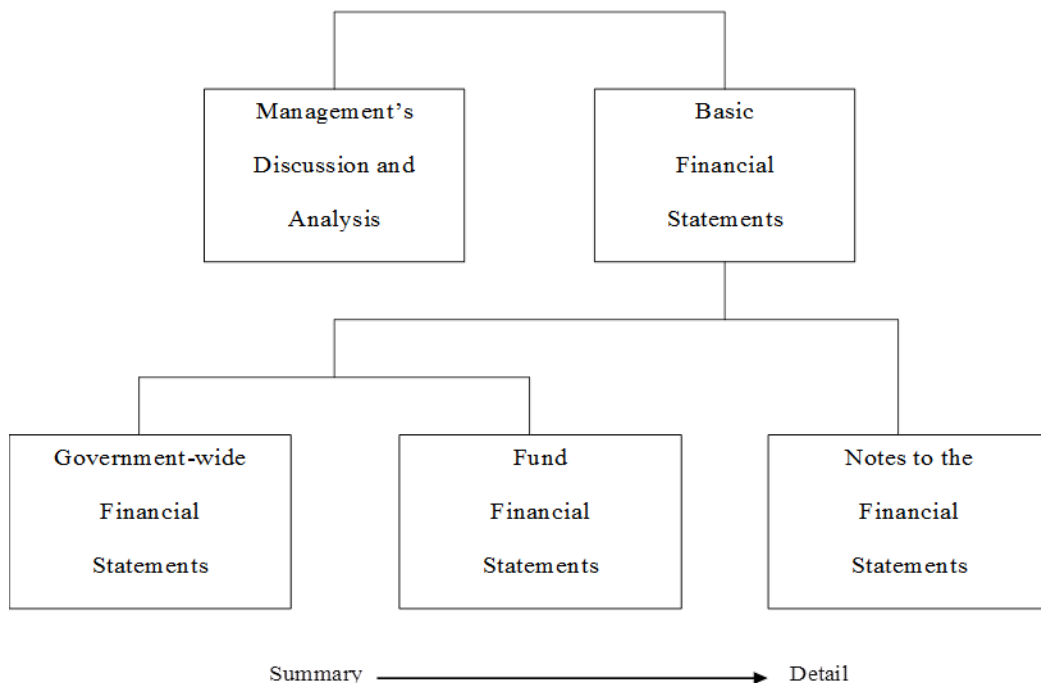
- The assets and deferred outflows of resources of the Town of Erwin exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$9,523,498 (*net position*).
- The government's total net position increased by \$787,820 primarily due to increases in the governmental activities net position.
- As of the close of the current fiscal year, the Town's governmental funds reported ending fund balances of \$7,042,442 an increase of \$538,805. Approximately 12 percent of this total amount, or \$750,166 is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,312,119 or 103 percent of total general fund expenditures for the fiscal year.
- The Town of Erwin's long term debt consists of compensated absences, other post-employment obligation and pension obligations.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of Erwin's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Erwin.

Required Components of Annual Financial Report

Figure 1



BASIC FINANCIAL STATEMENTS

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide the reader with a broad overview of the Town of Erwin's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements have only one category: 1) governmental activities. The governmental activities include all of the Town's basic services such as public safety, environmental protection, transportation, parks and recreation, and general administration. Property taxes, sales taxes and State and federal grant funds finance most of these activities.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements (see Figure 1) provide a more detailed look at the Town of Erwin's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Erwin, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Erwin can be divided into one category: governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Erwin adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 19 of this audit report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Erwin's progress in funding its obligation to provide various benefits to its employees. Required supplementary information can be found beginning on page 38 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

Government-Wide Financial Analysis

**Town of Erwin's Net Position
Figure 2**

	Governmental Activities	
	2022	2021
Assets		
Current and other assets:	\$ 8,173,361	\$ 6,587,180
Capital Assets	3,898,471	3,699,738
Total assets	12,071,832	10,286,918
Deferred Outflows of Resources	615,943	623,533
Liabilities		
Long-term liabilities outstanding	1,318,048	1,688,744
Other liabilities	1,008,591	106,858
Total liabilities	2,326,639	1,795,602
Deferred inflows of resources	837,638	379,171
Net Position		
Net Investment in Capital Assets	3,898,471	3,699,738
Restricted	744,441	813,023
Unrestricted(Deficit)	4,880,586	4,222,917
Total Net Position	\$ 9,523,498	\$ 8,735,678

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Erwin exceeded liabilities and deferred inflows of resources by \$9,523,498 as of June 30, 2022. The Town's net position increased by \$880,938 for the fiscal year ended June 30, 2022. However, a portion, \$3,898,471 (41%), reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Erwin uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Erwin's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Erwin's net position of \$744,441 (9%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,880,586 (50%) is unrestricted.

Several particular aspects of the Town's financial operations influenced the increase in total unrestricted governmental type net position:

- Revenues increased including ad valorem taxes after the county revaluation and grant revenue.
- Expenditures remained steady.

Town of Erwin's Changes in Net Position
Figure 3

	Governmental Activities	
	2022	2021
Revenues		
Program Revenues		
Charges for Services	\$ 679,806	\$ 686,035
Grants and Entitlements	444,006	448,786
General Revenue		
Property Taxes	1,408,111	1,377,326
Grants and contributions not restricted to specific programs	1,132,105	1,043,884
Other Taxes	287,036	283,452
Investment Earnings	10,896	7,127
Other	42,904	9,900
Total Revenues	<u>4,004,864</u>	<u>3,856,510</u>
Expenses		
General Government	359,370	614,449
Public Safety	1,164,602	1,208,852
Transportation	943,202	588,550
Environmental Protection	281,174	342,109
Cultural and Recreation	468,696	475,296
Total Expenses	<u>3,217,044</u>	<u>3,229,256</u>
Increase(Decrease) in Net Position	<u>787,820</u>	<u>627,254</u>
Net Position, beginning	<u>8,735,678</u>	<u>8,108,424</u>
Net Position, ending	<u>\$ 9,523,498</u>	<u>\$ 8,735,678</u>

Governmental Activities - Governmental activities increased the Town of Erwin's net position by \$787,820, thereby accounting for all of the increase in the net position of the Town of Erwin. Key elements of the increase were mentioned above.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town of Erwin uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town of Erwin's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Erwin's financing requirements.

The general fund is the chief operating fund of the Town of Erwin. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,312,119, while total fund balance reached \$3,933,245.

At June 30, 2022, the governmental funds of Town of Erwin reported a combined fund balance of \$7,135,560 with a net increase in fund balance of \$631,923. Included in this change in fund balance is an increase in fund balance of the General Fund.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

The more notable budget amendments made by the Town of Erwin during fiscal year ending June 30, 2022 are as follows:

- Additional improvements to Town infrastructure and purchase of fixed assets including a street sweeper.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The Town of Erwin's investment in capital assets for its governmental activities as of June 30, 2022, totals \$3,898,471 (net of accumulated depreciation). These assets include buildings, machinery and equipment, and vehicles.

Major capital asset transactions during the fiscal year include the following:

- Various construction in progress.
- The addition of various equipment.

**Town of Erwin's Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities	
	2022	2021
Land	\$ 191,207	\$ 191,207
Construction in Progress	659,534	655,949
Buildings and Improvements	1,457,995	1,501,788
Equipment	-	-
Vehicles and Motor Equipment	424,174	135,205
Infrastructure	1,103,904	1,146,896
Land Improvements	61,657	68,693
	<u>\$ 3,898,471</u>	<u>\$ 3,699,738</u>

Additional information on the Town's capital assets can be found beginning on page 25 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2022, the Town of Erwin has no outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Erwin is \$21,831,233. The Town did not issue any bonds during the fiscal year 2022-2023. Additional information regarding the Town's long-term debt can be found beginning on page 36.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following key economic indicators reflect the growth and prosperity of the Town of Erwin.

- The Town of Erwin's capability to grow its tax base while implementing a fiscally conservative policy has allowed the tax rate to remain consistent, although the County Revaluation has increased the overall tax base with increases to property values within the Town, and serves as an indicator of the progressing economy in Erwin. The upcoming year's tax rate was lowered to \$0.48 and remained the same \$.095 the fire protection rate.
- During the year there were some small commercial property annexations. It is anticipated for the annexation of additional commercial properties and a 55-acre tract for residential homesites.
- The Town of Erwin must seek to diversify its economy and move from its roots of manufacturing reliance. Efforts are underway to expand and enhance the commercial growth corridor of 421 as well as a downtown revitalization initiative.

The Town will continually need to closely examine all areas of revenues and expenditures as part of standard operations of procedure to increase unrestricted revenue.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2023

Governmental Activities – General Fund

The Town of Erwin did lower the ad valorem tax rate with the 2022-2023 adopted budget. Due to external economic factors, the Town of Erwin does not expect increases in the collection of revenues from state shared sales or franchise taxes. The lack of expected increases is anticipated to lead to the sustaining of budgeted revenue for the fiscal year ending June 30, 2023. The Town will use these revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to remain relatively consistent with previous levels due to continued and focused efforts by management to contain expenses and continue to deliver necessary services.

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the Town of Erwin's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Snow Bowden, Town Manager, Town of Erwin, P.O. Box 459, Erwin NC 28339. Mr. Bowden can be reached by e-mail at townmanager@erwin-nc.org or by telephone at (910) 897-5140. Additional information about the unit may be obtained from the Town of Erwin website at www.erwin-nc.org.

Basic Financial Statements

Town of Erwin, North Carolina
Statement of Net Position
June 30, 2022

Exhibit 1

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash & cash equivalents	\$ 6,673,966
Restricted cash	897,359
Taxes receivable (net)	21,997
Accrued interest receivable on taxes	2,901
Accounts receivable (net)	50
Lease Receivable	18,623
Due from other governments	413,319
Total current assets	<u>8,028,215</u>
Non-current Assets:	
Lease Receivable	145,146
Capital Assets:	
Land and nondepreciable improvements	850,741
Other capital assets, net of depreciation	<u>3,047,730</u>
Total capital assets	<u>3,898,471</u>
Total Non-current Assets	<u>4,043,617</u>
Total Assets	<u>12,071,832</u>
Deferred Outflows of Resources	
Pension deferrals	426,583
OPEB deferrals	<u>189,360</u>
Total Deferred Outflows of Resources	<u>615,943</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	259,112
Unearned revenue	687,019
Current portion of long-term debt	62,460
Long-term Liabilities:	
Net pension liability-LGERS	213,477
Total OPEB liability	722,616
Total pension liability-LEO	368,597
Due in more than one year	<u>13,358</u>
Total liabilities	<u>2,326,639</u>

Town of Erwin, North Carolina
Statement of Net Position
June 30, 2022

Exhibit 1

	<u>Governmental Activities</u>
Deferred Inflows of Resources	
Prepaid taxes	1,846
Leases	158,044
Pension deferrals	376,704
OPEB deferrals	301,044
	<u>837,638</u>
Net Position	
Net Investment in capital assets	3,898,471
Restricted for:	
Stabilization by state statute	534,101
Streets	205,188
Cultural and Recreation	-
Public safety	5,152
Unrestricted	4,880,586
Total Net Position	<u>\$ 9,523,498</u>

TOWN OF ERWIN

ERWIN, NORTH CAROLINA

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Town of Erwin, North Carolina
Statement of Activities
For the Year Ended June 30, 2022

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 359,370	\$ 47,741	\$ 227,701	\$ -	\$ (83,928)
Public Safety	1,164,602	58,134	905	-	(1,105,563)
Transportation	943,202	11,386	150,502	-	(781,314)
Environmental Protection	281,174	516,334	-	-	235,160
Cultural and Recreation	468,696	46,211	58,016	6,882	(357,587)
Total Governmental Activities	<u>\$ 3,217,044</u>	<u>\$ 679,806</u>	<u>\$ 437,124</u>	<u>\$ 6,882</u>	<u>(2,093,232)</u>
General Revenues:					
Taxes:					
Property taxes, levied for general purpose					1,408,111
Other taxes					287,036
Grants and contributions not restricted to specific programs					1,132,105
Investment earnings, unrestricted					10,896
Miscellaneous, unrestricted					42,904
Total general revenues					<u>2,881,052</u>
Change in net position					<u>787,820</u>
Net position - beginning					<u>8,735,678</u>
Net position - ending					<u>\$ 9,523,498</u>

Balance Sheet
Governmental Funds
June 30, 2022

	Major Funds					Total Governmental Funds
	General Fund	Al Woodall Park Improvements	American Relief Plan Fund	Community Enhancement Fund	Non-Major Funds	
Assets						
Cash and cash equivalents	\$ 3,693,809	\$ 388,176	\$ -	\$ 2,569,075	\$ 22,906	\$ 6,673,966
Restricted cash	210,340	-	593,901	-	93,118	897,359
Receivables (net):						
Taxes	21,997	-	-	-	-	21,997
Accounts	50	-	-	-	-	50
Due from other funds	-	-	-	120,732	-	120,732
Due from other governments	410,736	2,443	-	-	140	413,319
Lease Receivable	-	-	-	163,769	-	163,769
Total assets	<u>4,336,932</u>	<u>390,619</u>	<u>593,901</u>	<u>2,853,576</u>	<u>116,164</u>	<u>8,291,192</u>
Liabilities						
Accounts payable and accrued liabilities	259,112	-	-	-	-	259,112
Unearned revenue	-	-	593,901	-	93,118	687,019
Due to other funds	<u>120,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,732</u>
Total liabilities	<u>379,844</u>	<u>-</u>	<u>593,901</u>	<u>-</u>	<u>93,118</u>	<u>1,066,863</u>
Deferred inflows of resources						
Property tax receivable	21,997	-	-	-	-	21,997
Prepaid taxes	1,846	-	-	-	-	1,846
Leases	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,044</u>	<u>-</u>	<u>158,044</u>
Total deferred inflows of resources	<u>23,843</u>	<u>-</u>	<u>-</u>	<u>158,044</u>	<u>-</u>	<u>181,887</u>
Fund Balances:						
Non Spendable						
Leases	-	-	-	5,725	-	5,725
Restricted						
Stabilization by State Statute	410,786	2,443	-	120,732	140	534,101
Streets	205,188	-	-	-	-	205,188
Cultural and Recreation	-	-	-	-	-	-
Public Safety	5,152	-	-	-	-	5,152
Committed						
Cultural and Recreation	-	388,176	-	-	22,906	411,082
Capital Projects	-	-	-	2,569,075	-	2,569,075
Assigned						
Subsequent Year Expenditures	-	-	-	-	-	-
Unassigned	<u>3,312,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,312,119</u>
Total fund balances	<u>3,933,245</u>	<u>390,619</u>	<u>-</u>	<u>2,695,532</u>	<u>23,046</u>	<u>7,042,442</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,336,932</u>	<u>\$ 390,619</u>	<u>\$ 593,901</u>	<u>\$ 2,853,576</u>	<u>\$ 116,164</u>	<u>\$ 8,291,192</u>

Town of Erwin, North Carolina
Balance Sheet
Governmental Funds
June 30, 2022

Exhibit 3, continued

Amounts reported for governmental activities in the Statement of
Net Position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds		7,042,442
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 7,697,638	
Accumulated depreciation	<u>(3,799,167)</u>	3,898,471
Deferred outflows of resources related to pensions are not reported in the funds		426,583
Deferred outflows of resources related to OPEB are not reported in the funds		189,360
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows or resources.		2,901
Earned revenues considered deferred inflows of resources in fund statements.		21,997
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Compensated absences		(75,818)
Net pension liability		(213,477)
Total OPEB liability		(722,616)
Total pension liability		(368,597)
Deferred inflows of resources related to pensions are not reported in the funds		(376,704)
Deferred inflows of resources related to OPEB are not reported in the funds		<u>(301,044)</u>
Net position of governmental activities	\$	<u><u>9,523,498</u></u>

Town of Erwin, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022

Exhibit 4

	Major Funds					
	General Fund	Al Woodall Park Improvements	American Relief Plan fund	Community Enhancement Fund	Non-Major Funds	Total Governmental Funds
Revenues						
Ad valorem taxes	\$ 1,396,178	\$ -	\$ -	\$ -	\$ -	\$ 1,396,178
Other taxes and licenses	287,036	-	-	-	-	287,036
Unrestricted intergovernmental	1,132,105	-	-	-	-	1,132,105
Restricted intergovernmental	151,407	23,954	227,701	-	6,882	409,944
Permits and fees	14,891	-	-	-	-	14,891
Sales and services	641,501	-	-	23,414	-	664,915
Other revenues	40,326	21,100	-	13,474	12,962	87,862
Total revenues	<u>3,663,444</u>	<u>45,054</u>	<u>227,701</u>	<u>36,888</u>	<u>19,844</u>	<u>3,992,931</u>
Expenditures						
Current:						
General government	572,897	-	-	-	6,882	579,779
Public safety	1,277,805	-	-	-	-	1,277,805
Transportation	553,201	-	227,701	-	-	780,902
Public works	129,993	-	-	-	-	129,993
Environmental protection	281,174	-	-	-	-	281,174
Cultural and recreation	400,888	3,585	-	-	-	404,473
Total expenditures	<u>3,215,958</u>	<u>3,585</u>	<u>227,701</u>	<u>-</u>	<u>6,882</u>	<u>3,454,126</u>
Revenues over (under) expenditures	<u>447,486</u>	<u>41,469</u>	<u>-</u>	<u>36,888</u>	<u>12,962</u>	<u>538,805</u>
Net change in fund balance	447,486	41,469	-	36,888	12,962	538,805
Fund balances, beginning	<u>3,485,759</u>	<u>349,150</u>	<u>-</u>	<u>2,658,644</u>	<u>10,084</u>	<u>6,503,637</u>
Fund balances, ending	<u>\$ 3,933,245</u>	<u>\$ 390,619</u>	<u>\$ -</u>	<u>\$ 2,695,532</u>	<u>\$ 23,046</u>	<u>\$ 7,042,442</u>

Town of Erwin, North Carolina
**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Statement of Activities**
Governmental Funds
For the Year Ended June 30, 2022

Exhibit 4,
Continued

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	538,805
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures that were capitalized		414,001
Depreciation expense for Governmental assets		(215,268)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		118,819
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Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities		28,475
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OPEB Benefit payments paid and administrative expense made in the current year are not included on the Statement of Activities		28,343
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		12,462

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		16,965
Pension expenses		(33,048)
Other postemployment benefits expenses		(32,254)
Net pension obligation		(89,480)

Total changes in net position of governmental activities.	\$	<u>787,820</u>
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Town of Erwin, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance -
General Fund Budget and Actual
For the Year Ended June 30, 2022

Exhibit 5

	General Fund			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 1,265,704	\$ 1,349,149	\$ 1,396,178	\$ 47,029
Other taxes and licenses	228,144	293,807	287,036	(6,771)
Unrestricted intergovernmental	803,000	941,000	1,132,105	191,105
Restricted intergovernmental	138,000	130,000	151,407	21,407
Permits and fees	-	9,000	14,891	5,891
Sales and services	473,628	608,016	641,501	33,485
Other revenues	248,239	2,500	40,326	37,826
Total revenues	<u>3,156,715</u>	<u>3,333,472</u>	<u>3,663,444</u>	<u>329,972</u>
Expenditures:				
Current:				
General government	740,827	685,032	572,897	112,135
Public safety	1,173,476	1,337,180	1,277,805	59,375
Transportation	557,411	619,774	553,201	66,573
Public works	117,552	134,004	129,993	4,011
Environmental protection	323,790	335,343	281,174	54,169
Cultural and recreation	393,659	425,824	400,888	24,936
Total expenditures	<u>3,306,715</u>	<u>3,537,157</u>	<u>3,215,958</u>	<u>321,199</u>
Revenues over (under) expenditures	<u>(150,000)</u>	<u>(203,685)</u>	<u>447,486</u>	<u>651,171</u>
Other financing sources (uses):				
Transfers from other funds	-	137,905	-	(137,905)
Fund balance appropriated	150,000	65,780	-	(65,780)
Total other financing sources (uses)	<u>150,000</u>	<u>203,685</u>	<u>-</u>	<u>(203,685)</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>-</u>	447,486	\$ <u>447,486</u>
Fund balances, beginning			<u>3,485,759</u>	
Fund balances, ending			<u>\$ 3,933,245</u>	

Town of Erwin, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Community Enhancement Fund Budget and Actual
For the Year Ended June 30, 2022

Exhibit 5

	Community Enhancement Fund			Variance With
	Original	Final	Actual	Final Budget -
			Amounts	Positive
				(Negative)
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	-	-	-	-
Restricted intergovernmental	-	-	-	-
Permits and fees	-	-	-	-
Sales and services	-	-	23,414	23,414
Other revenues	-	-	13,474	13,474
Total revenues	-	-	36,888	36,888
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Public works	-	-	-	-
Environmental protection	-	-	-	-
Cultural and recreation	-	-	-	-
Total expenditures	-	-	-	-
Revenues over (under) expenditures	-	-	36,888	36,888
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in Fund Balance	\$ -	\$ -	36,888	\$ 36,888
Fund balances, beginning			2,658,644	
Fund balances, ending			\$ 2,695,532	

TOWN OF ERWIN

ERWIN, NORTH CAROLINA

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TOWN OF ERWIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Erwin conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Erwin (the Town) is a municipal corporation that is governed by an elected mayor and a six-member council.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town does not have any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. The Town does not have any proprietary funds. The Town does not have any fiduciary funds to report.

The Town reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources of the general government except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, sanitation services and cultural and recreation.

Al Woodard Park Improvement Capital Project - This fund was created for the capital project activity within the parks and recreation facilities.

ARPA Grant Project Fund – Which reports the activity of ARP Act funding received.

Community Enhancement Fund - This fund was created from the sale proceeds of the Town's water and sewer system. Earnings and cell tower lease will be accumulated and expended for community enhancement projects within the Town.

The Town reports the following non-major governmental funds:

Priebe Field Capital Project - This fund is used to account for grant funds and local donations for the improvement of a Town recreation park.

SCIF Grant Community Building Capital Project - This fund is used to account for grant funds and local donations for the improvement of the community building.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

TOWN OF ERWIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Erwin because the tax is levied by Harnett County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Community Enhancement Fund. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Capital Project Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi year funds. The Town manager is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to 5 percent of the appropriated monies for the department where the allocation is reduced; however, any revisions that alter the total expenditures of any fund or exceed the 5 percent limitation must be approved the governing board. During the year, several amendments to the original budget were necessary.

TOWN OF ERWIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity

Deposits and Investments - All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G. S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as Now and SuperNow accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

Cash and Cash Equivalents - The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Restricted Cash - Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. ARPA and SCIF grant funds provided the grant funding in advance of the related expenditures, all unspent cash is restricted. Controlled substance tax and other forfeiture funds are held as restricted until expended for that purpose.

Governmental Activities	
General Fund	
Streets	\$ 205,188
ARPA Funding	593,901
SCIF Grant	93,118
Public Safety	5,152
Total Governmental Activities	<u>\$ 897,359</u>

Ad Valorem Taxes Receivable - In accordance with State law [G. S. 105-347 and G. S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2021. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

Allowance for Doubtful Accounts - All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

Lease Receivable - The Town's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Town may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

TOWN OF ERWIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

Inventory - The Town does not maintain any inventories.

Capital Assets - Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, and other plant and distribution systems, \$5,000; infrastructure, \$5,000; furniture and equipment, \$5,000; and vehicles, \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	40
Other Improvements	20
Motor Vehicles	5
Equipment & Furniture	10
Plant Assets	50

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2022 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, leases and pension deferrals for the 2022 fiscal year.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities fund type statement of net position.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources.

Compensated Absences - The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first in-first out method of using accumulated compensated time. The current portion of the accumulated vacation pay is not considered to be material; therefore, no expenditure or liability has been reported in the government wide.

The Town's sick leave policy provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position - Net position in government-wide fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

TOWN OF ERWIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

Fund Balances - In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Public Safety – portion of fund balance that is restricted by the funding source, which provides the Town with a portion of drug seizure money.

Restricted for Cultural and Recreation – portion of fund balance that is restricted for future improvements to the community center as required by grant funds that were received.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Erwin's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Cultural and Recreation – portion of fund balance committed by the Board for parks and recreation expenditures.

Capital Projects – portion of fund balance committed by the Board for capital improvements.

Assigned fund balance – portion of fund balance that Town of Erwin intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation and any modifications to the original budget.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town of Erwin adheres to the North Carolina Local Government Commission's recommendation of a minimum fund balance for the general fund which instructs management to conduct the business of the Town in such a manner

TOWN OF ERWIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

that available fund balance does not go below eight percent of budgeted expenditures. Any portion of the general fund balance in excess of 8% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

Defined Benefit Cost-Sharing Plans - For purposes of measuring the net pension (asset)/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Erwin's employer contributions are recognized when due and the Town of Erwin has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with N.C. General Statutes

None.

2. Contractual Violations

None.

B. Deficit in Fund Balance or Net Position of Individual Funds

None.

C. Excess of Expenditures over Appropriations

None.

NOTE 3: DETAIL NOTES ON ALL FUNDS

A. Assets

Deposits - All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2022, the Town's deposits had a carrying amount of \$7,571,125 and a bank balance of \$7,596,708. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered under the pooling method or pledged assets by the financial institution. At June 30, 2022, the Town's petty cash fund totaled \$200.

TOWN OF ERWIN, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2022

Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position is net of the following allowance for doubtful accounts:

Fund	June 30, 2022
General Fund	
Taxes Receivable	\$ 15,000
Total	<u>\$ 15,000</u>

Lease Receivable

In March 2019, the Town amended the lease agreement for the lease of real estate used for a cell tower. Under the lease, the vendor pays the Town \$1,992 per month for sixty months in exchange for right to the land. On the annual anniversary date, the payment is increased by 3%. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 5.50%, which is the stated rate in the agreement. There is an optional 60 month extension of the lease agreement which management believes is reasonably certain to be exercised. Final lease payment based on the extended period of time is February 2029.

In fiscal year 2022, the Town recognized \$23,414 of lease revenue and \$8,751 of interest revenue under the lease.

Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 191,207	\$ -	\$ -	\$ 191,207
Construction in Progress	655,949	3,585	-	659,534
Total Capital Assets not Being Depreciated:	<u>847,156</u>	<u>3,585</u>	<u>-</u>	<u>850,741</u>
Capital Assets Being Depreciated:				
Buildings	2,624,419	28,842	-	2,653,261
Equipment	988,692	-	-	988,692
Vehicles and Motor Equipment	1,192,062	381,574	(28,488)	1,545,148
Infrastructure	1,448,150	-	-	1,448,150
Land Improvements	158,700	-	-	158,700
Furniture	24,458	-	-	24,458
Total Capital Assets Being Depreciated:	<u>6,436,481</u>	<u>410,416</u>	<u>(28,488)</u>	<u>6,818,409</u>
Less Accumulated Depreciation				
Buildings	1,122,631	72,635	-	1,195,266
Equipment	988,692	-	-	988,692
Vehicles and Motor Equipment	1,056,857	92,605	(28,488)	1,120,974
Infrastructure	301,254	42,992	-	344,246
Land Improvements	90,007	7,036	-	97,043
Furniture	24,458	-	-	24,458
Total Accumulated Depreciation	<u>3,583,899</u>	<u>\$ 215,268</u>	<u>\$ (28,488)</u>	<u>3,770,679</u>
Total Capital Assets Being Depreciated, net	<u>2,852,582</u>			<u>3,047,730</u>
Governmental Activity Capital Assets, net	<u>\$ 3,699,738</u>			<u>\$ 3,898,471</u>

TOWN OF ERWIN, NORTH CAROLINA
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Primary Government

Depreciation expense was charged to functions/programs of the primary government as follows:

General Government	\$ 40,621
Public Safety	44,868
Transportation	47,515
Cultural & Recreational	82,264
Total Depreciation Expense	<u>\$ 215,268</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Erwin is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Erwin employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Erwin's contractually required contribution rate for the year ended June 30, 2022, was 12.04% of compensation for law enforcement officers and 11.45% for general employees and firefighters, actuarially determined as an amount

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For the Fiscal Year Ended June 30, 2022

that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Erwin were \$118,819 for the year ended June 30, 2022.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the Town reported a liability of \$213,477 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021 (measurement date), the Town's proportion was 0.01392%, which was a decrease of 0.00116% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$89,480. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 67,915	\$ -
Changes of assumptions	134,118	-
Net difference between projected and actual earnings on pension plan investments	-	304,994
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,862	21,226
Town contributions subsequent to the measurement date	118,819	-
Total	<u>\$ 326,714</u>	<u>\$ 326,220</u>

\$118,819 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ 17,454
2024	(13,461)
2025	(28,989)
2026	(93,329)
	<u>\$ (118,325)</u>

TOWN OF ERWIN, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2022

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2021 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF ERWIN, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2022

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 6.50 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 828,698	\$ 213,477	\$ (292,815)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

Plan Description. The Town of Erwin administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2020, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	3
Active plan members	<u>10</u>
Total	<u><u>13</u></u>

Summary of Significant Accounting Policies:

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 73.

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate*	2.25%
Projected salary increases*	3.25 - 7.75 percent, including inflation and productivity factor
*Includes inflation at	2.50 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

TOWN OF ERWIN, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2022

Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$28,475 as benefits came due for the reporting period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the Town reported a total pension liability of \$368,597. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$33,048.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,039	\$ 40,553
Changes of assumptions and other inputs	66,592	9,931
Benefit payments and administrative expenses subsequent to the measurement date.	14,238	-
Total	<u>\$ 99,869</u>	<u>\$ 50,484</u>

\$14,238 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ 10,671
2024	9,299
2025	10,463
2026	4,714
2027	-
Thereafter	<u>\$ 35,147</u>

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 2.25 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total Pension Liability	\$ 396,736	\$ 368,597	\$ 343,153

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For the Fiscal Year Ended June 30, 2022

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

	2022
Beginning balance	\$ 414,983
Service Cost	19,637
Interest on the total pension liability	7,702
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(33,155)
Changes of assumptions or other inputs	(8,702)
Benefit payments	(31,868)
Other changes	-
Ending balance of the total pension liability	<u>\$ 368,597</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources of Related to Pensions

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	\$ 89,480	\$ 33,048	\$ 122,528
Pension Liability	213,477	368,597	582,074
Proportionate share of the net pension liability	0.01392%	N/A	
Deferred of Outflows of Resources			
Differences between expected and actual experience	67,915	19,039	86,954
Changes of assumptions	134,118	66,592	200,710
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	5,862	-	5,862
Benefit payments and administrative costs paid subsequent to the measurement date	118,819	14,238	133,057
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	40,553	40,553
Changes of assumptions	-	9,931	9,931
Net difference between projected and actual earnings on plan investments	304,994	-	304,994
Changes in proportion and differences between contributions and proportionate share of contributions	21,226	-	21,226

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For the Fiscal Year Ended June 30, 2022

c. Supplemental Retirement Income Plan

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to all qualifying employees employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Town also contributes on behalf of all other employees. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each law enforcement officer's salary, and all amounts contributed are vested immediately. For all other plan members, the Town contributes two percent. Also, plan members may make voluntary contributions to the plan. Contributions for the year ended June 30, 2022 were \$77,838, which consisted of \$49,605 from the Town and \$28,233 from employees.

d. Other Post Employment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The Plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and who retire with 20 years of service and are over sixty years of age, the Town pays 50% of the cost of coverage. For employees who retire with 25 years of service, regardless of their age, the Town pays 75% of the cost of coverage. For employees who retire with 30 years of service, the Town pays the full cost of coverage for those benefits. The Town pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the Town's group rates. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The Town Council may amend the benefit provision. A separate report was not issued for the plan. New employees are not eligible for this benefit regardless of their years of service.

Membership of the HCB Plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Employees
Retirees receiving benefits	-	3
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	15	10
Total	<u>15</u>	<u>13</u>

Total OPEB Liability

The Town's total OPEB liability of \$722,616 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

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For the Fiscal Year Ended June 30, 2022

Inflation	2.50%
Salary increases	
General Employees	3.25% to 8.41%
Law Enforcement Employees	3.2.5% to 7.90%
Discount rate	2.16%
Healthcare cost trend rates	
Pre-Medicare Medical and	7.00 percent for 2020 decreasing to an ultimate rate of
Prescription Drug	4.50% by 2030

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability

<u>Total Changes in OPEB Liability</u>	<u>Total OPEB Liability</u>
Balance at June 30, 2021	\$ 680,173
Changes for the year	
Service cost	29,717
Interest	15,377
Change in benefit terms	-
Differences between expected and actual experience	8,352
Changes in assumptions or other inputs	17,340
Benefit payments	(28,343)
Net changes	42,443
Balance at June 30, 2022	\$ 722,616

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 2015 through December 2019.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate (2.16%)</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 792,099	\$ 722,616	\$ 660,304

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 644,164	\$ 722,616	\$ 816,818

TOWN OF ERWIN, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2022

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the Town recognized OPEB expense of \$32,254. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 85,680	\$ 284,896
Changes of assumptions	87,930	16,148
Benefit payments made and administrative expenses for OPEB made subsequent to the measurement date.	15,750	-
Total	<u>\$ 189,360</u>	<u>\$ 301,044</u>

\$15,750 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ (12,840)
2024	(12,840)
2025	(12,840)
2026	(12,840)
2027	(11,735)
Thereafter	(64,339)
	<u>\$ (127,434)</u>

2. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employees' 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

TOWN OF ERWIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

3. Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 118,819
Benefit payments made and administrative expenses for LEOSSA made subsequent to the measurement date.	14,238
Benefit payments made and administrative expenses for OPEB made subsequent to the measurement date.	15,750
Differences between expected and actual experience	172,634
Changes of assumptions	288,640
Net difference between projected and actual earnings on investments	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,862
Total	<u>\$ 615,943</u>

Deferred inflows of resources are comprised of the following:

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 1,846	\$ 1,846
Taxes Receivable (General Fund)	-	21,997
Lease Receivable (General Fund)	158,044	158,044
Differences between expected and actual experience	325,449	-
Net difference between projected and actual earnings on pension plan investments	304,994	
Changes of assumptions	26,079	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	21,226	-
Total	<u>\$ 837,638</u>	<u>\$ 181,887</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has insurance coverage through the Travelers Insurance Company and obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town has obtained flood insurance for areas subject to flooding.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$80,000 and \$10,000, respectively. Two remaining clerks are bonded for \$10,000 each.

TOWN OF ERWIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

5. Claims, Judgments and Contingent Liabilities

At June 30, 2022, the Town was a defendant to various lawsuits. In the opinion of Town's management and the Town Attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long-Term Obligations

Changes in Long Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities:					
Net Pension Liability(LGERS)	\$ 538,873	\$ -	\$ (325,396)	\$ 213,477	\$ -
Total Pension Obligation(LEO)	414,983	-	(46,386)	368,597	-
OPEB Obligation	680,173	42,443	-	722,616	-
Compensated Absences	92,783	62,460	(79,425)	75,818	62,460
Total Governmental Activities	<u>\$ 1,726,812</u>	<u>\$ 104,903</u>	<u>\$ (451,207)</u>	<u>\$ 1,380,508</u>	<u>\$ 62,460</u>

The legal debt margin of the Town at June 30, 2022 was \$21,831,233.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2022, consist of the following:

Receivable Fund	Payable Fund	Amount
Community Enhancement Fund	General Fund	\$ 120,732
		<u>\$ 120,732</u>

The above due to/from transaction was the result of common usage of the central depository account when the Community Enhancement Fund upfronts funding for capital projects until grant reimbursements are received. The Town is in the process of clearing out these accounts.

D. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

<i>Total fund balance-General Fund</i>	<i>\$3,933,245</i>
Less:	
Stabilization by State Statute	410,786
Streets - Powell Bill	205,188
Public Safety	5,152
Appropriated Fund Balance in 2022-23 Budget	-
Remaining Fund Balance	<u>3,312,119</u>

TOWN OF ERWIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

NOTE 4: SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Town has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

NOTE 5: MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 23, 2022, the date which the financial statements were available for issue.

TOWN OF ERWIN

ERWIN, NORTH CAROLINA

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Required Supplementary Financial Data

The section contains additional statements required by Governmental Accounting Standards Board.

Schedule of Changes in Total Pension Liability -

Law Enforcement Officers' Special Separation Allowance

Schedule of Total Pension Liability as a Percentage of Covered Payroll -

Law Enforcement Officers' Special Separation Allowance

Other Postemployment Benefits

Schedule of Funding Progress

Other Postemployment Benefits

Schedule of Employer Contributions

Schedule of Proportionate Share of Net Pension Liability (Asset) Local Government
Employees' Retirement System

Schedule of Contributions to Local Government Employees' Retirement System

Town of Erwin, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Nine Fiscal Years *

Local Government Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.01392%	0.01508%	0.01519%	0.01609%	0.01357%	0.01517%	0.01742%	0.01712%	0.01590%
Town's proportion of the net pension liability (asset) (\$)	\$ 213,477	\$ 538,873	\$ 414,827	\$ 381,710	\$ 207,312	\$ 321,958	\$ 78,180	\$ (100,963)	\$ 191,656
Town's covered-employee payroll	\$ 1,030,223	\$ 1,066,415	\$ 1,006,350	\$ 1,021,420	\$ 901,037	\$ 1,026,190	\$ 1,086,966	\$ 1,032,372	\$ 913,799
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	20.72%	50.53%	41.22%	37.37%	23.01%	31.37%	7.19%	(9.78%)	20.97%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

Town of Erwin, North Carolina
Schedule of Contributions
Required Supplementary Information
Last Nine Fiscal Years *

Local Government Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 118,819	\$ 108,449	\$ 99,826	\$ 81,866	\$ 80,671	\$ 68,823	\$ 71,136	\$ 78,416	73,027
Contributions in relation to the contractually required contribution	118,819	108,449	99,826	81,866	80,671	68,823	71,136	78,416	73,027
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 1,015,534	\$ 1,030,223	\$ 1,066,415	\$ 1,006,350	\$ 1,021,420	\$ 901,037	\$ 1,026,190	\$ 1,086,966	1,032,372
Contributions as a percentage of covered-employee payroll	11.70%	10.53%	9.36%	8.13%	7.90%	7.64%	6.93%	7.21%	7.07%

Town of Erwin, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2022

	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 414,983	\$ 304,626	\$ 332,188	\$ 321,589	\$ 357,021	\$ 360,299
Service Cost	19,637	14,433	11,100	12,962	11,046	12,114
Interest on the total pension liability	7,702	9,433	11,597	9,733	13,103	12,495
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(33,155)	18,820	(30,792)	26,629	(41,211)	-
Changes of assumptions or other inputs	(8,702)	98,234	7,703	(11,555)	16,771	(7,302)
Benefit payments	(31,868)	(30,563)	(27,170)	(27,170)	(35,141)	(20,585)
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 368,597</u>	<u>\$ 414,983</u>	<u>\$ 304,626</u>	<u>\$ 332,188</u>	<u>\$ 321,589</u>	<u>\$ 357,021</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Town of Erwin, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2022

	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 368,597	\$ 414,983	\$ 304,626	\$ 332,188	\$ 321,589	\$ 357,021
Covered payroll	471,925	483,323	492,362	449,714	387,709	394,851
Total pension liability as a percentage of covered payroll	78.10%	85.86%	61.87%	73.87%	85.68%	81.45%

Notes to the schedules:

The Town of Erwin has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Town of Erwin, North Carolina
Schedule of Changes in Total Other Postemployment Benefits Liability
And Related Ratios
June 30, 2022

	2022	2021	2020	2019	2018
Total Other Postemployment Benefits (OPEB) Liability					
Service Cost at the end of the year	\$ 29,717	\$ 30,719	\$ 25,276	\$ 28,385	\$ 30,217
Interest on Total OPEB Liability and cash flows	15,377	33,472	29,739	21,817	18,940
Changes in benefit terms	-	-	110,856	-	-
Differences between expected and actual experience	8,352	(346,512)	(2,468)	120,825	3,158
Changes of assumptions or other inputs	17,340	51,448	27,306	16,425	(33,513)
Benefit payments and implicit subsidy credit	(28,343)	(28,929)	(30,157)	(41,355)	(29,211)
Net change in OPEB liability	42,443	(259,802)	160,552	146,097	(10,409)
Total OPEB liability - beginning	680,173	939,975	779,423	633,326	643,735
Total OPEB liability - ending	\$ 722,616	\$ 680,173	\$ 939,975	\$ 779,423	633,326
Covered payroll	1,012,687	1,012,687	1,006,350	1,021,420	901,037
Total OPEB liability as a percentage of covered payroll	71.36%	67.17%	93.40%	76.31%	70.29%

Notes to the schedules:

Changes in assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period.

Fiscal Year	Rate
2022	2.16%
2021	3.50%
2020	3.50%
2019	3.89%
2018	3.18%

Supplementary Statements

The section contains additional statements required by the Local Government Commission
in North Carolina.

TOWN OF ERWIN

ERWIN, NORTH CAROLINA

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Town of Erwin, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Ad valorem taxes	\$	\$ 1,388,347	\$
Penalties and interest		7,831	
Total	<u>1,349,149</u>	<u>1,396,178</u>	<u>47,029</u>
Other taxes and licenses:			
Fire protection charges		258,934	
Auto licenses		28,102	
Total	<u>293,807</u>	<u>287,036</u>	<u>(6,771)</u>
Unrestricted intergovernmental:			
Local option sales taxes		916,369	
Gasoline tax refund		8,803	
Telecommunications tax		14,557	
Utility franchise tax		142,866	
Piped natural gas		16,361	
Video franchise fee		11,980	
Solid Waste Disposal Tax		3,431	
Beer and wine tax		17,738	
Total	<u>941,000</u>	<u>1,132,105</u>	<u>191,105</u>
Restricted intergovernmental:			
Powell Bill Allocation		150,502	
Controlled Substance Tax		905	
Total	<u>130,000</u>	<u>151,407</u>	<u>21,407</u>
Permits and fees:			
Business registration fees		230	
Zoning permits		14,380	
Court fees		281	
Total	<u>9,000</u>	<u>14,891</u>	<u>5,891</u>
Sales and services:			
School Resource Officers		57,853	
Recreation department			
Concessions, sponsorships & donations		15,868	
Sponsors donations/entry fees		28,760	
Mowing Contract		11,386	
Library fees		1,583	
Collection fees		9,717	
Garbage and storm water		516,334	
Total	<u>608,016</u>	<u>641,501</u>	<u>33,485</u>

Town of Erwin, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Other Revenues:			
Investment earnings		6,173	
Miscellaneous		34,153	
Total Other Revenues	2,500	40,326	37,826
Total Revenues	3,333,472	3,663,444	329,972
General Government:			
Governing Body:			
Salaries		17,025	
Benefits		1,319	
Other Operating Expenses		2,370	
Capital Outlay		-	
Total Governing Body	47,945	20,714	27,231
Administration:			
Salaries		165,306	
Benefits		91,424	
Professional Expenses		20,121	
General Insurance		88,807	
Other Operating Expenses		175,829	
Capital Outlay		-	
Total Administration	569,718	541,487	28,231
Planning:			
Professional Expenses		8,287	
Other Operating Expenses		2,409	
Capital Outlay		-	
Total Administration	67,369	10,696	56,673
Total General Government	685,032	572,897	112,135
Public safety:			
Police:			
Salaries		545,652	
Benefits		215,154	
Other Operating Expenses		99,010	
Capital Outlay		153,823	
Total	1,072,873	1,013,639	59,234
Fire:			
Contract Services		264,166	
Total	264,307	264,166	141
Total Public Safety	1,337,180	1,277,805	59,375

Town of Erwin, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Streets:			
Salaries		106,796	
Benefits		48,114	
Other Operating Expenses		12,981	
Capital Outlay		172,337	
Contracted Services		212,973	
Total Transportation	619,774	553,201	66,573
Public works:			
Administration			
Salaries		60,493	
Benefits		23,078	
Other Operating Expenses		33,436	
Capital Outlay		-	
Total Administration	119,004	117,007	1,997
Storm Water:			
Other Operating Expenses		12,986	
Total Storm Water	15,000	12,986	2,014
Total Public Works	134,004	129,993	4,011
Environmental protection:			
Sanitation:			
Other Operating Expenses		21,468	
Contracted Services		259,706	
Total Environmental Protection	335,343	281,174	54,169
Culture and recreation:			
Parks and recreation:			
Salaries		151,623	
Benefits		49,873	
Contracted Services		18,749	
Other Operating Expenses		94,854	
Capital Outlay		12,431	
Total parks and recreation	349,119	327,530	21,589

Town of Erwin, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Community and library building:			
Salaries		36,203	
Benefits		17,218	
Other Operating Expenses		19,937	
Capital Outlay		-	
Total community and library building	76,705	73,358	3,347
Total Culture and Recreation	425,824	400,888	24,936
Revenues over (under) expenditures	(203,685)	447,486	651,171
Other Financing Sources (Uses):			
Transfers To/From Other Funds:			
From Community Enhancement	137,905	-	(137,905)
Total Other Financing Sources(Uses)	137,905	-	(137,905)
Fund Balance Appropriated	65,780	-	(65,780)
Net Change in Fund Balance	\$ -	447,486	\$ 447,486
Fund Balances, beginning		3,485,759	
Fund Balances, ending		\$ 3,933,245	

Town of Erwin, North Carolina
Al Woodall Park Improvements Capital Project
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2022

	Project	Actual		Total	Positive
	Authorization	Prior	Current	to Date	(Negative)
		Years	Year		
Revenues:					
Restricted Intergovernmental					
Grant	\$ 339,678	\$ 281,756	\$ 23,954	\$ 305,710	\$ (33,968)
Donations	195,000	27,000	21,100	48,100	(146,900)
Total Revenue	<u>534,678</u>	<u>308,756</u>	<u>45,054</u>	<u>353,810</u>	<u>(180,868)</u>
Expenditures:					
Capital Outlay		638,962	3,585	642,547	
Total Expenditures	<u>679,356</u>	<u>638,962</u>	<u>3,585</u>	<u>642,547</u>	<u>36,809</u>
Revenues Over(Under)					
Expenditures	<u>(144,678)</u>	<u>(330,206)</u>	<u>41,469</u>	<u>(288,737)</u>	<u>(144,059)</u>
Other Financing Sources(Uses)					
Transfers - In (Out)					
From/(To) Enhancement	<u>144,678</u>	<u>679,356</u>	<u>-</u>	<u>679,356</u>	<u>534,678</u>
Total Other Financing	<u>144,678</u>	<u>679,356</u>	<u>-</u>	<u>679,356</u>	<u>534,678</u>
Sources (Uses)					
Revenues and Other Sources					
Over Other Uses	\$ <u>-</u>	\$ <u>349,150</u>	41,469	\$ <u>390,619</u>	\$ <u>390,619</u>
Fund Balance					
Fund Balances, beginning			349,150		
Fund Balances, ending			\$ <u>390,619</u>		

Town of Erwin, North Carolina
American Relief Plan Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental					
Federal Grant	\$ 1,500,000	\$ -	\$ 227,701	\$ 227,701	\$ (1,272,299)
Total Revenue	<u>1,500,000</u>	<u>-</u>	<u>227,701</u>	<u>227,701</u>	<u>(1,272,299)</u>
Expenditures:					
General Government		-	-	-	
Public Safety		-	-	-	
Transportation		-	-	-	
Capital Outlay		-	227,701	227,701	
Total Expenditures	<u>1,500,000</u>	<u>-</u>	<u>227,701</u>	<u>227,701</u>	<u>1,272,299</u>
Revenues Over(Under)					
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance Appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Sources					
Over Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance					
Fund Balances, beginning			<u>-</u>		
Fund Balances, ending			<u>\$ -</u>		

Town of Erwin, North Carolina
Community Enhancement Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Sales and services:			
Land Lease	\$ -	\$ 23,414	\$ 23,414
Interest	-	4,723	4,723
Interest on Lease Receivable	-	8,751	8,751
Total Revenue	<u>-</u>	<u>36,888</u>	<u>36,888</u>
Fund Balance Appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Sources			
Over Other Uses	<u>\$ -</u>	36,888	<u>\$ 36,888</u>
Fund Balance			
Fund Balances, beginning		<u>2,658,644</u>	
Fund Balances, ending		<u>\$ 2,695,532</u>	

Town of Erwin, North Carolina
Combining Balance Sheet
Nonmajor Governmental Fund
For the Fiscal Year Ended June 30, 2022

	SCIF Grant Community Bldg Capital Project	Priebe Field Capital Project	Total Nonmajor Governmental Funds
Assets			
Cash and Cash Equivalents	\$ -	\$ 22,906	\$ 22,906
Restricted Cash	93,118	-	93,118
Due From Other Governments	-	140	140
	<u>-</u>	<u>140</u>	<u>140</u>
Total Assets	\$ <u>93,118</u>	\$ <u>23,046</u>	\$ <u>116,164</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ -	\$ -	\$ -
Advance from other government	93,118	-	93,118
Due to Other Funds	-	-	-
Total Liabilities	<u>93,118</u>	<u>-</u>	<u>93,118.00</u>
Fund Balance:			
Restricted			
Stabilization by State Statute	-	140	140
Cultural and Recreation	-	-	-
Committed			
Cultural and Recreation	-	22,906	22,906
Unassigned	-	-	-
Total Fund Balances	<u>-</u>	<u>23,046</u>	<u>23,046</u>
Total Liabilities and Fund Balances	\$ <u>93,118</u>	\$ <u>23,046</u>	\$ <u>116,164</u>

Town of Erwin, North Carolina
**Combining Statement of Revenues, Expenditures and
Changes in Fund Balance**
Nonmajor Governmental Fund
For the Fiscal Year Ended June 30, 2022

	SCIF Grant Community Bldg Capital Project	Priebe Field Capital Project	Total Nonmajor Governmental Funds
Revenues:			
Restricted Intergovernmental			
State Grants	\$ 6,882	\$ -	\$ 6,882
Miscellaneous Income	-	12,962	12,962
Interest on Investments	-	-	-
Total Revenue	<u>6,882</u>	<u>12,962</u>	<u>19,844</u>
Expenditures:			
Cultural and Recreational	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>6,882</u>	<u>-</u>	<u>6,882</u>
Revenues Over(Under)			
Expenditures	<u>-</u>	<u>12,962</u>	<u>12,962</u>
Fund Balance			
Fund Balances, beginning	<u>-</u>	<u>10,084</u>	<u>10,084</u>
Fund Balances, ending	<u>\$ -</u>	<u>\$ 23,046</u>	<u>\$ 23,046</u>

Town of Erwin, North Carolina
Capital Projects Fund - SCIF Grant Community Building
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental					
SCIF Grant	\$ 100,000	\$ -	\$ 6,882	\$ 6,882	\$ (93,118)
Total Revenue	<u>100,000</u>	<u>-</u>	<u>6,882</u>	<u>6,882</u>	<u>(93,118)</u>
Expenditures:					
Operating Expenditures		-	6,882	6,882	
Capital Outlay		-	-	-	
Total Expenditures	<u>100,000</u>	<u>-</u>	<u>6,882</u>	<u>6,882</u>	<u>93,118</u>
Revenues Over(Under)					
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance					
Fund Balances, beginning			-		
Fund Balances, ending			<u>\$ -</u>		

Town of Erwin, North Carolina
Priebe Field Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
For the Fiscal Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Donation		\$ 12,962	
Total Revenue	\$ -	\$ 12,962	\$ 12,962
Expenditures:			
Cultural and Recreation			
Operating Expenses			
Total Expenditures	-	-	-
Revenues Over(Under)			
Expenditures	-	12,962	12,962
Fund Balance Appropriated	-	-	-
Revenues and Other Sources			
Over Other Uses	\$ -	12,962	\$ 12,962
Fund Balance			
Fund Balances, beginning		10,084	
Fund Balances, ending		\$ 23,046	

TOWN OF ERWIN

ERWIN, NORTH CAROLINA

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OTHER SCHEDULES

This section includes additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

Town of Erwin, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2022

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2021</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021 - 2022	\$ -	\$ 1,650,987	\$ 1,634,649	\$ 16,338
2020 - 2021	15,431	-	9,863	5,568
2019 - 2020	5,163	-	959	4,204
2018 - 2019	2,719	-	67	2,652
2017 - 2018	3,239	-	1,054	2,185
2016 - 2017	2,297	-	609	1,688
2015 - 2016	1,337	-	81	1,256
2014 - 2015	1,177	-	-	1,177
2013 - 2014	1,279	-	-	1,279
2012 - 2013	-	-	-	-
2011 - 2012	13,175	-	13,175	-
	<u>\$ 45,817</u>	<u>\$ 1,650,987</u>	<u>\$ 1,660,457</u>	<u>\$ 36,347</u>
Less: Allowance for uncollectable accounts:				
General Fund				(15,000)
Add				
Auto Tags Receivable				650
Ad valorem taxes receivable - net				<u>\$ 21,997</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 1,396,178
Fire protection charges - General Fund				258,934
Reconciling items:				
Interest collected				(7,831)
Releases				13,176
Subtotal				<u>5,345</u>
Total collections and credits				<u>\$ 1,660,457</u>

Town of Erwin, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2022

				Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 272,890,413	0.605	\$ 1,650,987	\$ 1,419,606	\$ 231,381
Total	<u>272,890,413</u>		<u>1,650,987</u>	<u>1,419,606</u>	<u>231,381</u>
Total property valuation	<u>\$ 272,890,413</u>				
Net levy			1,650,987	1,419,606	231,381
Uncollected taxes at June 30, 2022			<u>16,338</u>	<u>16,338</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,634,649</u>	<u>\$ 1,403,268</u>	<u>\$ 231,381</u>
Current levy collection percentage			<u>99.00%</u>	<u>98.85%</u>	<u>100.00%</u>

COMPLIANCE SECTION



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R. Bryon Scott, CPA
Gregory S. Adams, CPA
Alan W. Thompson, CPA

Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Erwin, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Erwin, North Carolina, as of and for the year ended June 30, 2022, and related notes to the financial statements, which collectively comprises the Town of Erwin's basic financial statements, and have issued our report thereon dated November 23, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Erwin's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Erwin's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency, 2022-001.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Erwin's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Erwin's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Erwin's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thompson, Price, Scott, Adams & Co., PA

Elizabethtown, North Carolina

November 23, 2022

Town of Erwin, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2022

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____yes X no
- Significant Deficiency(s) identified? X yes _____none reported

Noncompliance material to financial
statements noted? _____yes X no

Town of Erwin, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2022

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCIES

2022 – 001 Segregation of Duties

Criteria: The assignment of responsibilities should be segregated so that one person is not responsible for the authorization and recording of a transaction and the custody of the related asset. There needs to be a reconciliation or control activity to provide reasonable assurance that transactions are handled appropriately.

Condition: Key duties and functions are not segregated amount Town personnel. This is especially a concern in cash management, accounts receivable, purchasing, and payroll functions in all departments.

Effect: Transactions could be mishandled, due to errors or fraud that could lead to loss of assets or the reporting of misleading financial information.

Cause: There are a limited number of personnel for certain functions and lack of board oversight.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2021-001.

Recommendation: The duties should be separated as much as possible, by possibly training and utilizing non-financial personnel and utilizing alternative controls. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will adhere to the correction action plan on page in this audit report.